

Village of Stockbridge
33-3020
Financial Statements
And Independent Auditors' Report
Year Ended February 29, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Stockbridge	County Ingham
Audit Date 2/29/04	Opinion Date 4/26/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.			
Street Address 2545 Spring Arbor Road		City Jackson	State MI
Accountant Signature <i>Willis & Jurasek, P.C.</i>		ZIP 49203	Date

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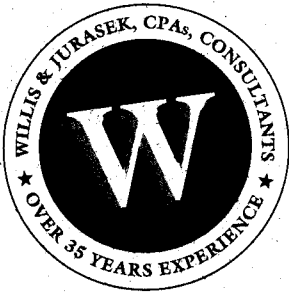
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Independent Auditors' Report

Board of Trustees
Village of Stockbridge
Ingham County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Stockbridge as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Stockbridge as of February 29, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2004, on our consideration of the Village's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Stockbridge. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

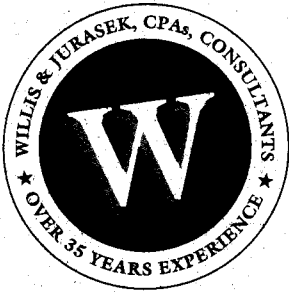
Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

April 26, 2004

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039



**Reporting Based On An Audit Of Financial Statements
Performed In Accordance With
Government Auditing Standards**

Board of Trustees
Village of Stockbridge
Ingham County, Michigan

We have audited the financial statements of the Village of Stockbridge as of and for the year ended February 29, 2004, and have issued our report thereon dated April 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Stockbridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Stockbridge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Stockbridge in a separate letter dated April 26, 2004.

This report is intended solely for the information of the Village Board, management and state agencies, and is not intended to be and should not be used by anyone other than those specified.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

April 26, 2004

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Village of Stockbridge
Combined Balance Sheet
All Fund Types and Account Groups, and Discretely Presented Component Units
February 29, 2004

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Types
	General	Special Revenue	Enterprise	Motor Vehicle Pool	Trust and Agency
<u>Assets</u>					
Cash and cash equivalents	\$ 193,818	\$ 141,112	\$ 348,912	\$ 36,930	\$ 101,661
Receivables	3,047	-	4,084	-	-
Due from other governmental units	15,831	14,640	-	-	-
Due from other funds	40,000	1,668	5,000	-	-
Restricted assets	-	-	129,753	-	-
Fixed assets (net where applicable, of accumulated depreciation)	-	-	4,226,562	19,540	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-
Total assets	<u>\$ 252,696</u>	<u>\$ 157,420</u>	<u>\$ 4,714,311</u>	<u>\$ 56,470</u>	<u>\$ 101,661</u>
<u>Liabilities, Equity and Other Credits</u>					
Liabilities:					
Accounts payable	\$ 87,085	\$ 17,506	\$ 94,867	\$ 536	-
Accrued liabilities	4,302	30	7,853	-	-
Due to other funds	-	1,668	45,000	-	-
Deferred revenue	-	640	-	-	-
SRF loan payable	-	-	1,564,723	-	-
Bonds payable	-	-	255,000	-	-
Total liabilities	<u>91,387</u>	<u>19,844</u>	<u>1,967,443</u>	<u>536</u>	<u>-</u>
Fund Equity:					
Contributed capital	-	-	1,693,451	-	-
Investment in general fixed assets	-	-	-	-	-
Retained earnings:					
Reserved	-	-	129,753	-	-
Unreserved	-	-	923,664	55,934	-
Fund balances:					
Reserved	-	-	-	-	101,661
Unreserved:undesignated	<u>161,309</u>	<u>137,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>161,309</u>	<u>137,577</u>	<u>2,746,868</u>	<u>55,934</u>	<u>101,661</u>
Total liabilities and fund equity	<u>\$ 252,696</u>	<u>\$ 157,420</u>	<u>\$ 4,714,311</u>	<u>\$ 56,470</u>	<u>\$ 101,661</u>

See Notes to Financial Statements.

Village of Stockbridge
Combined Balance Sheet
All Fund Types and Account Groups, and Discretely Presented Component Units
February 29, 2004

<u>Account Groups</u>		<u>Total</u>	<u>Component</u>	<u>Total</u>
<u>General</u>	<u>General</u>	<u>(Memo)</u>	<u>Unit</u>	<u>(Memo)</u>
<u>Long-Term</u>	<u>Fixed Asset</u>	<u>Only)</u>	<u>Downtown</u>	<u>Only)</u>
<u>Debt</u>	<u>Group</u>	<u>Primary</u>	<u>Development</u>	<u>Reporting</u>
		<u>Government</u>	<u>Authority</u>	<u>Entity</u>
\$	- \$	- \$	822,433 \$	199,151 \$
	-	-	7,131	-
	-	-	30,471	-
	-	-	46,668	-
	-	-	129,753	-
	-	585,642	4,831,744	4,831,744
<u>230.000</u>	<u>-</u>	<u>230.000</u>		<u>230.000</u>
<u>\$ 230.000</u>	<u>\$ 585.642</u>	<u>\$ 6,098.201</u>	<u>\$ 199.151</u>	<u>\$ 6,297.352</u>
\$	- \$	- \$	199,993 \$	- \$
	-	-	12,185	-
	-	-	46,668	-
	-	-	640	-
	-	-	1,564,723	-
<u>230.000</u>	<u>-</u>	<u>485.000</u>	<u>-</u>	<u>485.000</u>
<u>230.000</u>	<u>-</u>	<u>2,309.210</u>	<u>-</u>	<u>2,309.210</u>
	-	-	1,693,451	-
	-	585,642	585,642	-
	-	-	129,753	-
	-	-	979,599	-
	-	-	101,661	-
	-	-	298,885	199,151
	-	585,642	3,788,991	199,151
<u>\$ 230.000</u>	<u>\$ 585.642</u>	<u>\$ 6,098.201</u>	<u>\$ 199.151</u>	<u>\$ 6,297.352</u>

See Notes to Financial Statements.

Village of Stockbridge
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Discretely Presented Component Units
Year Ended February 29, 2004

	Governmental Fund Types			Total (Memo Only)	Component Unit Downtown Development Authority	Total (Memo) Only Reporting Entity
	General	Special Revenue	Debt Service	Primary Government		
Revenues:						
Taxes and penalties	\$ 238,308	\$ 43,100	\$ -	\$ 281,408	\$ 336,833	\$ 618,241
Licenses and permits	6,191	-	-	6,191	-	6,191
State grants	127,336	78,680	-	206,016	-	206,016
Charges for services	35,534	22,727	-	58,261	-	58,261
Interest and rentals	16,018	2,235	-	18,253	1,647	19,900
Other	57,640	6,709	-	64,349	12,431	76,780
Total revenues	<u>481,027</u>	<u>153,451</u>	<u>-</u>	<u>634,478</u>	<u>350,911</u>	<u>985,389</u>
Expenditures:						
Legislative	40,518	-	-	40,518	-	40,518
General government	152,413	36,165	-	188,578	73,578	262,156
Public safety	134,938	-	-	134,938	-	134,938
Public works	48,666	159,494	-	208,160	-	208,160
Recreation and culture	9,579	-	-	9,579	-	9,579
Community enrichment and development	-	-	-	-	192,656	192,656
Other	53,026	-	-	53,026	-	53,026
Debt service	-	-	30,166	30,166	-	30,166
Total expenditures	<u>439,139</u>	<u>195,660</u>	<u>30,166</u>	<u>664,965</u>	<u>266,234</u>	<u>931,199</u>
Revenues Over (Under) Expenditures	<u>41,888</u>	<u>(42,208)</u>	<u>(30,166)</u>	<u>(30,487)</u>	<u>84,677</u>	<u>54,190</u>
Other Financing Sources (Uses):						
Operating transfers in	-	5,190	30,166	35,356	-	35,356
Operating transfers out	-	-	-	-	(55,166)	(55,166)
Total other financing sources (uses)	<u>-</u>	<u>5,190</u>	<u>30,166</u>	<u>35,356</u>	<u>(55,166)</u>	<u>(19,810)</u>
Net Change in Fund Balances	<u>41,888</u>	<u>(37,018)</u>	<u>-</u>	<u>4,869</u>	<u>29,511</u>	<u>34,380</u>
Fund Balances - Beginning of Year	<u>119,421</u>	<u>174,595</u>	<u>-</u>	<u>294,016</u>	<u>169,640</u>	<u>463,656</u>
Fund Balances - End of Year	<u>\$ 161,309</u>	<u>\$ 137,577</u>	<u>\$ -</u>	<u>\$ 298,885</u>	<u>\$ 199,151</u>	<u>\$ 498,036</u>

See Notes to Financial Statements.

Village of Stockbridge
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund and Special Revenue Funds
Year Ended February 29, 2004

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes and penalties	\$ 245,250	\$ 238,308	\$ (6,942)	\$ 43,000	\$ 43,100	\$ 100
Licenses and permits	4,500	6,191	1,691	-	-	-
State grants	134,600	127,336	(7,264)	70,000	78,680	8,680
Charges for services	36,360	35,534	(826)	23,500	22,727	(773)
Interest and rentals	15,450	16,018	568	5,850	2,235	(3,615)
Other	54,346	57,640	3,294	-	6,709	6,709
Total revenues	<u>490,506</u>	<u>481,027</u>	<u>(9,479)</u>	<u>142,350</u>	<u>153,451</u>	<u>11,101</u>
Expenditures:						
Legislative	68,500	40,518	27,982	-	-	-
General government	158,450	152,413	6,037	33,646	36,165	(2,519)
Public safety	177,949	134,938	43,011	-	-	-
Public works	52,810	48,666	4,144	208,783	159,494	49,289
Recreation and culture	12,001	9,579	2,422	-	-	-
Other	58,725	53,026	5,699	-	-	-
Total expenditures	<u>528,435</u>	<u>439,139</u>	<u>89,296</u>	<u>242,429</u>	<u>195,660</u>	<u>46,769</u>
Revenue Over (Under) Expenditures	(37,929)	41,888	79,817	(100,079)	(42,208)	57,871
Other Financing Sources (Uses):						
Operating transfers in	-	-	-	-	5,190	5,190
Net Change in Fund Balances	(37,929)	41,888	79,817	(100,079)	(37,018)	63,061
Fund Balances - Beginning of Year	119,421	119,421	-	174,595	174,595	-
Fund Balances - End of Year	\$ 81,492	\$ 161,309	\$ 79,817	\$ 74,516	\$ 137,577	\$ 63,061

See Notes to Financial Statements

Village of Stockbridge
Combined Statement of Revenues, Expenses and Changes
in Retained Earnings/Fund Balances
All Proprietary Fund Types and Similar Trust Funds
Year Ended February 29, 2004

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	
	<u>Enterprise</u>	<u>Motor Vehicle Pool</u>	<u>Non-Expendable Trusts</u>	<u>Total (Memorandum Only)</u>
Operating Revenues:				
Charges for services	\$ 463,171	\$ 38,296	\$ 2,525	\$ 503,992
Other operating revenue	20,483	-	-	20,483
Total operating revenues	483,654	38,296	2,525	524,475
Operating Expenses	521,917	34,270	130	556,317
Operating Income (Loss)	(38,263)	4,026	2,395	(31,841)
Nonoperating Revenues (Expenses):				
Interest earnings	2,230	141	5,510	7,881
Interest expense	(15,742)	-	-	(15,742)
Operating grants	5,500	-	-	5,500
Operating transfers out	-	-	(5,190)	(5,190)
Transfer in from component unit	25,000	-	-	25,000
Total non-operating revenue (expense)	16,988	141	320	17,449
Net Income (Loss)	(21,275)	4,167	2,715	(14,392)
Add:				
Depreciation of fixed assets acquired by grant, entitlements and shared revenues, externally restricted for capital acquisitions and construction that reduces contributed capital	42,733	-	-	42,733
Net Change in Retained Earnings	21,458	4,167	2,715	28,341
Retained Earnings/Fund Balances - Beginning of Year	1,031,959	51,767	98,946	1,182,672
Retained Earnings/Fund Balances - End of Year	\$ 1,053,417	\$ 55,934	\$ 101,661	\$ 1,211,013

See Notes to Financial Statements

Village of Stockbridge
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended February 29, 2004

	<u>Enterprise Funds</u>	<u>Motor Vehicle Pool</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Net Income (loss)	\$ (38,263)	\$ 4,026	\$ (34,237)
Adjustment to reconcile net income to cash provided by operating activities			
Depreciation	86,408	8,207	94,615
Change in accounts receivable	6,619	-	6,619
Change in accounts payable	79,044	331	79,375
Change in other liabilities	582	-	582
Net cash provided by operating activities	<u>134,390</u>	<u>12,564</u>	<u>146,954</u>
Cash Flows From Noncapital Financing Activities:			
Transfer in	25,000	-	25,000
Operating grants	5,500	-	5,500
Net cash provided by noncapital financing activities	<u>30,500</u>	<u>-</u>	<u>30,500</u>
Cash Flows From Capital and Related Financing activities			
Principal payment on bonds	(60,000)	-	(60,000)
Interest payment bonds	(15,742)	-	(15,742)
Proceeds from issuance of long-term debt	1,564,723	-	1,564,723
Construction of capital assets	(1,564,723)	-	(1,564,723)
Net cash provided by capital and related financing activities	<u>(75,742)</u>	<u>-</u>	<u>(75,742)</u>
Cash Flows From Investing Activities:			
Interest earnings	2,230	141	2,371
Net Increase in Cash and Cash Equivalents	91,378	12,705	104,083
Cash and Cash Equivalents - Beginning of Year	<u>387,287</u>	<u>24,225</u>	<u>411,512</u>
Cash and Cash Equivalents - End of Year	<u>\$ 478,665</u>	<u>\$ 36,930</u>	<u>\$ 515,595</u>

See Notes to Financial Statements.

Village of Stockbridge
Notes to Financial Statements

1. Summary Of Significant Accounting Policies

The accounting policies of Village of Stockbridge (the "Village" or "government") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The Village was incorporated under the provisions of Act of 1895, as amended (General Law Village). The Village operates under a Council form of government and provides various services as authorized by its charter. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component unit. The component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

Discretely Presented Component Units – The component unit column in the combined financial statements includes the financial data of the Village's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village.

Component Unit

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority uses governmental fund type accounting.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

Governmental Funds

Governmental funds are used to account for the Village's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Village of Stockbridge
Notes to Financial Statements

1. Summary Of Significant Accounting Policies (Continued)

Governmental Funds (Continued)

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

General Fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Debt Service Funds - Debt Service Funds account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements issued prior to November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types.

Enterprise Funds – Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds – Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Account Groups

The general fixed assets account group is used to account for fixed assets not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Village of Stockbridge
Notes to Financial Statements

1. Summary Of Significant Accounting Policies (Continued)

Budgetary Accounting

Operating budgets are adopted for all governmental fund-types each fiscal year on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual revenues and expenditures. Reported budgeted amounts are as originally adopted or as amended by the Village Council. All budget appropriations lapse at year end. The legal level of control is at the activity level. The Village does not utilize a formal encumbrance system.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the government. (See Note 2 for further cash information).

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method, which approximates fair value. The cost of governmental fund-type inventories are recorded as expenditures when purchased.

Fixed Assets

General fixed assets are recorded as expenditures in the applicable funds at the time of purchase and are accounted for in the General Fixed Asset Account Group. All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. No depreciation has been provided on general fixed assets.

Fixed assets in proprietary funds are recorded at cost and depreciation is provided in amounts sufficient to depreciate the cost of fixed assets over their estimated service lives on a straight-line basis. The following estimated useful lives are used:

	<u>Years</u>
Equipment	3-10
Water/Sewer system	10-50

Village of Stockbridge
Notes to Financial Statements

1. Summary Of Significant Accounting Policies (Continued)

Long-Term Debt

Long-term debt obligations of the Village, which are expected to be repaid out of general governmental revenues, are recorded in the General Long-Term Debt Account Group. Obligations that are expected to be repaid out of proprietary fund revenues are recorded as liabilities of the respective funds.

Fund Equity

Contributed capital is recorded in proprietary funds that have received capital contributions from customers or other funds. The unreserved, undesignated fund balances of governmental funds represent the amount available for future appropriations. Designated fund balance denotes that portion of fund equity for which the Village has made tentative plans. Reserved retained earnings for proprietary funds represents the net assets that have been identified for specific purposes.

Property Tax Revenue

Property tax revenue is normally recognized in the year for which taxes have been levied, provided they are collectible during that year or within 60 days following that year's end.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

The internal service funds are used to record charges for services to all Village departments and funds as operating revenues. All Village funds record these payments to the internal service funds as operating expenditures/expenses.

Compensated Absences

Village personnel policy provides employees with sick leave, limited to an accumulation of fifteen days. Sick time is not recorded until paid. Current accumulated leave is immaterial.

2. Excess of Expenditures Over Appropriations

Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a detail basis. The approved budgets of the Village were adopted at the detail level.

During the year ended February 29, 2004, expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities of the General Fund as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Expenditures</u>
General Fund:			
Village Manager	\$46,300	\$47,987	(\$1,687)
Refuse Collection	\$35,760	\$35,824	(\$ 64)

Village of Stockbridge
Notes to Financial Statements

3. Cash And Cash Equivalents

A summary of the caption cash and cash equivalents (See Note 1) on the combined balance sheet, including the component unit amounts, consists of the following depository accounts by type:

Cash	\$ 940,953
Cash on hand	100
Certificates of deposit	<u>210,284</u>
	<u>\$1,151,337</u>

The Village of Stockbridge is authorized by the Council to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

At February 29, 2004, the carrying amount of the Village's deposits were classified as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on hand	\$ 100	\$ 0
Insured (FDIC)	201,158	201,158
Uninsured, uncollateralized	<u>950,079</u>	<u>986,485</u>
	<u>\$1,151,337</u>	<u>\$1,187,643</u>

Village of Stockbridge
Notes to Financial Statements

4. Property Taxes

The Village property tax is levied each July 1 on the assessed valuation of property located in the Village as of the preceding December 31, the lien date. Assessed values are established annually by the County and are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for the 2003 levy was assessed and equalized at \$21,662,099, representing 50% of estimated current market value. The Village operating tax rate for the 2003 levy was 10 mills.

5. Fixed Assets

Activity in the General Fixed Assets Account Group of the primary government for the year ended February 29, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 82,778	\$ 0	\$ 0	\$ 82,778
Buildings, Improvements & Water Tower	431,467	0	0	431,467
Equipment	<u>71,397</u>	<u>0</u>	<u>0</u>	<u>71,397</u>
	<u>\$ 585,642</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$585,642</u>

The following is a summary of proprietary fund-type fixed assets at February 29, 2004:

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Land	\$ 79,111	\$ 0
Construction in progress	1,564,723	0
Systems and improvements	3,962,055	0
Machinery and equipment	18,686	222,154
Less: Accumulated depreciation	<u>(1,398,013)</u>	<u>(202,614)</u>
Totals	<u>\$ 4,226,562</u>	<u>\$ 19,540</u>

Depreciation expense for the year was \$86,408 for the Enterprise Funds and \$8,207 for the Internal Service Funds.

Village of Stockbridge
Notes to Financial Statements

6. Long-Term Debt

The long-term debt of the Village is summarized as follows:

	<u>Balance</u> <u>03/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02/29/04</u>
Enterprise Fund – Water Fund:				
Michigan Municipal				
Revenue Refunding				
Bonds, Series 1989, interest				
rate of 7.5% - 7.55%, maturing				
November 1, 2013	\$ 110,000	\$ 0	\$ 15,000	\$ 95,000
Enterprise Fund – Sewer Fund:				
Michigan Municipal				
Revenue Refunding				
Bonds, Series 1989, interest				
rate of 7.5%, maturing				
November 1, 2008	130,000	0	20,000	110,000
Enterprise Fund – Water Fund:				
Michigan Municipal Water Supply				
and Distribution System				
Revenue Bonds, Series 1990,				
interest rate of 7.05%, maturing				
May 1, 2005	<u>75,000</u>	<u>0</u>	<u>25,000</u>	<u>50,000</u>
Total Enterprise Funds	<u>\$ 315,000</u>	<u>\$ 0</u>	<u>\$ 60,000</u>	<u>\$ 255,000</u>
General Obligation Bonds – Downtown				
Development Authority:				
Limited Tax General Obligation				
Downtown Development				
Bonds, Series 1992, interest				
rate of 6.154% - 6.25%,				
maturing June 1, 2012	<u>\$ 245,000</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 230,000</u>

The annual principal and interest requirements through maturity for all bonded debts outstanding as of February 29, 2004 are as follows:

	<u>Enterprise Funds</u>			<u>General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending February 28:						
2005	\$ 60,000	\$ 18,036	\$ 78,036	\$ 20,000	\$ 13,578	\$ 33,578
2006	55,000	13,649	68,649	20,000	12,372	32,372
2007	35,000	10,517	45,517	20,000	11,158	31,158
2008	30,000	7,893	37,893	25,000	9,778	34,778
2009	30,000	5,643	35,643	25,000	8,241	33,241
Thereafter	<u>45,000</u>	<u>9,432</u>	<u>54,432</u>	<u>120,000</u>	<u>15,909</u>	<u>135,909</u>
Total long-term debt	<u>\$ 255,000</u>	<u>\$ 65,170</u>	<u>\$ 320,170</u>	<u>\$ 230,000</u>	<u>\$ 71,036</u>	<u>\$ 301,036</u>

Village of Stockbridge
Notes to Financial Statements

7. Interfund Receivables And Payables

Interfund balances at year-end, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Advance from/to Other Funds:		
General Fund	\$ 40,000	\$ 0
Special Revenue Funds:		
Local Street	1,668	0
Major Street	0	1,668
Enterprise Funds:		
Sewer Fund	0	5,000
Water Fund	<u>5,000</u>	<u>40,000</u>
	<u>\$ 46,668</u>	<u>\$ 46,668</u>

8. Operating Transfers

Following is a summary of transfers between funds of the Village for the year ended February 29, 2004. These transfers are part of the normal budgetary process and are necessary to provide resources in appropriate funds as designated by the Council:

	<u>Operating Transfers In</u>	<u>Out</u>
Operating Transfers from/to Other Funds:		
Cemetery Fund	\$ 5,190	\$ 0
Debt Fund	30,166	0
Water Fund	25,000	0
Component Unit (DDA)	0	55,166
Cemetery Perpetual Care Fund	<u>0</u>	<u>5,190</u>
	<u>\$ 60,356</u>	<u>\$ 60,356</u>

9. Shared Service Agreements

The Ingham County Sheriff Department provides law enforcement services to the Village and its residents. Under this agreement, the Village is billed monthly on an hourly basis for the services provided.

Village of Stockbridge
Notes to Financial Statements

10. Segment Information For Enterprise Funds

The Village maintains two Enterprise Funds, which provide sewer and water services (utility segment). Segment information for the fiscal year is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenue	\$ 316,231	\$ 167,423	\$ 483,654
Depreciation	69,784	16,623	86,407
Operating income (loss)	(13,587)	(24,676)	(38,263)
Transfer in from component unit	0	25,000	25,000
Net income (loss)	24,844	(3,386)	21,458
Capital contributions	0	0	0
Fixed asset additions	1,564,723	0	1,564,723
Working capital	231,272	41,990	340,029
Total assets	4,006,328	707,983	4,714,311
Bonds payable	110,000	145,000	255,000
Total equity	2,280,253	466,615	2,746,868

11. Retirement System

Description of Plan and Plan Assets

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Village's personnel policy and requires a contribution from the employees of 5% of gross wages. The Village is required to contribute at an actuarially determined rate.

Annual Pension Cost

For the year ended February 29, 2004, the Village's annual pension cost of \$18,647 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age normal cost method and the employer contribution amounts are developed as a level percentage of payroll. Significant actuarial assumptions used include; 8% investment rate of return and projected salary increases of 4.5% per year. Both were determined using techniques that smooth the effects of short-term volatility over a four year period. The unfounded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Village of Stockbridge
Notes to Financial Statements

12. Retirement System (Continued)

Three-Year Trend Information as of December 31 follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Annual Pension Cost	\$ 24,651	\$ 26,926	\$ 28,352
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	108,470	139,027	162,857
Actuarial Accrued Liability	354,692	348,983	262,849
Unfunded AAL	246,222	209,956	99,992
Funded Ratio	31%	40%	62%
Covered Payroll	183,144	172,410	176,927
UAAL as a Percentage of Covered Payroll	134%	122%	57%

13. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 29, 2004, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

14. Contingencies

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

The Village has also been assessed an amount due for over collected tax revenues within the Downtown Development Authority. The Village does not agree with the assessment and the amount has not been recorded in these financial statements.

Supplemental Information

Village of Stockbridge
Statement of Revenues -
Budget and Actual
General Fund
 (With Comparative Amounts from the Prior Year)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2003</u>
Revenues:				
Taxes and Penalties				
Property taxes	\$ 240,500	\$ 234,687	\$ (5,813)	\$ 234,333
Penalties and interest on taxes	1,750	119	(1,631)	1,639
Property tax administration fee	3,000	3,502	502	2,793
Total taxes and penalties	<u>245,250</u>	<u>238,308</u>	<u>(6,942)</u>	<u>238,766</u>
Licenses and Permits				
Business permits	2,000	2,375	375	4,079
Nonbusiness permits	2,000	1,793	(207)	1,702
Zoning and map review	500	2,023	1,523	600
Total licenses and permits	<u>4,500</u>	<u>6,191</u>	<u>1,691</u>	<u>6,381</u>
State Grants				
Sales tax revenue sharing	133,000	125,941	(7,059)	129,097
Liquor tax	1,600	1,395	(205)	1,390
Total state grants	<u>134,600</u>	<u>127,336</u>	<u>(7,264)</u>	<u>130,487</u>
Charges for Services				
Refuse collection	<u>36,360</u>	<u>35,534</u>	<u>(826)</u>	<u>30,283</u>
Interest and Rentals				
Interest	1,100	676	(424)	1,247
Rentals	<u>14,350</u>	<u>15,342</u>	<u>992</u>	<u>11,111</u>
Total interest and rentals	<u>15,450</u>	<u>16,018</u>	<u>568</u>	<u>12,358</u>
Other Revenue				
Miscellaneous	<u>54,346</u>	<u>57,640</u>	<u>3,294</u>	<u>5,434</u>
Total revenues	<u>\$ 490,506</u>	<u>\$ 481,027</u>	<u>\$ (9,479)</u>	<u>\$ 423,709</u>

Village of Stockbridge
Statement of Expenditures -
Budget and Actual
General Fund
 (With Comparative Amounts from the Prior Year)
 Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2003</u>
Expenditures:				
Legislative				
Village council	\$ 68,500	\$ 40,518	\$ 27,982	\$ 75,997
General Government				
President	3,350	2,615	735	3,856
Manager	46,300	47,987	(1,687)	45,188
Clerk	8,600	8,393	208	8,538
External audit	4,600	1,500	3,100	4,400
Treasurer	8,600	8,008	593	10,349
Elections	1,675	1,007	668	623
Building and grounds	85,325	82,904	2,421	81,267
Total general government	158,450	152,413	6,037	154,221
Public Safety				
Police	172,849	130,299	42,550	125,778
Building inspection	5,100	4,639	461	6,669
Total public safety	177,949	134,938	43,011	132,447
Public Works				
Sidewalks	1,250	655	595	3,345
Street lighting	15,800	12,187	3,613	14,634
Refuse collection	35,760	35,824	(64)	34,668
Total public works	52,810	48,666	4,144	52,647
Recreation and Culture				
Veterans memorial park	12,001	9,579	2,422	9,410
Other				
Fringe benefits and payroll taxes	50,825	47,633	3,192	60,286
Community promotion	3,000	1,643	1,357	4,519
Miscellaneous	4,900	3,750	1,150	19,950
Total other	58,725	53,026	5,699	84,755
Total expenditures	<u>\$ 528,435</u>	<u>\$ 439,139</u>	<u>\$ 89,296</u>	<u>\$ 509,476</u>

Village of Stockbridge
Combining Balance Sheet
Special Revenue Funds
February 29, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 93,709	\$ 32,896	\$ 14,507	\$ 141,112
Due from other funds	-	1,668	-	1,668
Due from other governmental units	10,440	4,200	-	14,640
Total assets	<u>\$ 104,149</u>	<u>\$ 38,764</u>	<u>\$ 14,507</u>	<u>\$ 157,420</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 721	\$ 8,748	\$ 8,037	\$ 17,506
Accrued liabilities	-	29	-	29
Due to other funds	1,668	-	-	1,668
Deferred revenue	-	-	640	640
Total liabilities	<u>2,389</u>	<u>8,777</u>	<u>8,677</u>	<u>19,843</u>
Fund Balances:				
Unreserved:undesignated	<u>101,760</u>	<u>29,987</u>	<u>5,830</u>	<u>137,577</u>
Total liabilities and fund balances	<u>\$ 104,149</u>	<u>\$ 38,764</u>	<u>\$ 14,507</u>	<u>\$ 157,420</u>

Village of Stockbridge
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Special Revenue Funds
Year Ended February 29, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:				
Taxes	\$ -	\$ 43,100	\$ -	\$ 43,100
State grants	56,137	22,543	-	78,680
Charges for services	-	-	22,727	22,727
Interest and rentals	977	1,258	-	2,235
Other	-	6,709	-	6,709
Total revenues	<u>57,114</u>	<u>73,610</u>	<u>22,727</u>	<u>153,451</u>
Expenditures:				
General government	-	-	36,165	36,165
Public works	<u>30,220</u>	<u>129,274</u>	-	<u>159,494</u>
Total expenditures	<u>30,220</u>	<u>129,274</u>	<u>36,165</u>	<u>195,660</u>
Revenue Over (Under) Expenditures	26,894	(55,664)	(13,438)	(42,208)
Other Financing Sources:				
Operating transfer in	-	-	5,190	5,190
Net Change in Fund Balances	26,894	(55,664)	(8,248)	(37,018)
Fund Balances - Beginning of Year	<u>74,866</u>	<u>85,651</u>	<u>14,078</u>	<u>174,595</u>
Fund Balances - End of Year	<u>\$ 101,760</u>	<u>\$ 29,987</u>	<u>\$ 5,830</u>	<u>\$ 137,577</u>

Village of Stockbridge
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Major Street Fund
Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
State grants	\$ 50,000	\$ 56,137	\$ 6,137
Interest and rentals	400	977	577
Total revenues	<u>50,400</u>	<u>57,114</u>	<u>6,714</u>
Expenditures:			
Highways and Streets:			
Maintenance	19,200	9,622	9,578
Traffic services	2,850	461	2,389
Snow and ice control	11,274	8,218	3,056
Storm sewer	2,950	1,490	1,460
Administration	63,969	10,430	53,539
Total expenditures	<u>100,243</u>	<u>30,220</u>	<u>70,023</u>
Net Change in Fund Balances	(49,843)	26,894	76,737
Fund Balances - Beginning of Year	<u>74,866</u>	<u>74,866</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 25,023</u>	<u>\$ 101,760</u>	<u>\$ 76,737</u>

Village of Stockbridge
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Local Street Fund
Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:			
Taxes	\$ 43,000	\$ 43,100	\$ 100
State grants	20,000	22,543	2,543
Interest and rentals	1,650	1,258	(392)
Other	-	6,709	6,709
Total revenues	<u>64,650</u>	<u>73,610</u>	<u>8,960</u>
Expenditures:			
Highways and Streets:			
Maintenance	17,600	13,242	4,358
Construction	71,416	89,612	(18,196)
Traffic services	1,700	527	1,173
Snow and ice control	7,024	7,172	(148)
Storm sewer	2,550	1,185	1,365
Administration	8,250	17,536	(9,286)
Total expenditures	<u>108,540</u>	<u>129,274</u>	<u>(20,734)</u>
Net Change in Fund Balances	<u>(43,890)</u>	<u>(55,664)</u>	<u>(11,774)</u>
Fund Balances - Beginning of Year	<u>85,651</u>	<u>85,651</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 41,761</u>	<u>\$ 29,987</u>	<u>\$ (11,774)</u>

Village of Stockbridge
Combining Balance Sheet
Enterprise Funds
February 29, 2004

	<u>Assets</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current Assets:				
Cash		\$ 279,716	\$ 69,196	\$ 348,912
Accounts receivable		2,908	1,176	4,084
Due from other funds		-	5,000	5,000
Total current assets		<u>282,624</u>	<u>75,372</u>	<u>357,996</u>
Restricted Assets:				
Cash		<u>66,767</u>	<u>62,986</u>	<u>129,753</u>
Property, Plant and Equipment:				
Land		79,111	-	79,111
Construction in progress		1,564,723	-	1,564,723
Main and accessories		2,777,305	-	2,777,305
Machinery and equipment		18,686	-	18,686
Improvements		308,105	-	308,105
Water system		-	876,645	876,645
Less accumulated depreciation		<u>1,090,993</u>	<u>307,020</u>	<u>1,398,013</u>
Total property, plant and equipment		<u>3,656,937</u>	<u>569,625</u>	<u>4,226,562</u>
Total assets		<u>\$ 4,006,328</u>	<u>\$ 707,983</u>	<u>\$ 4,714,311</u>
	<u>Liabilities and Fund Equity</u>			
Current Liabilities:				
Accounts payable		\$ 43,303	\$ 51,563	\$ 94,867
Accrued liabilities		3,049	4,805	7,853
Due to other funds		5,000	40,000	45,000
Total current liabilities		<u>51,352</u>	<u>96,368</u>	<u>147,720</u>
Long-Term Liabilities:				
SRF loan payable		1,564,723	-	1,564,723
Bonds payable		<u>110,000</u>	<u>145,000</u>	<u>255,000</u>
Total long-term liabilities		<u>1,674,723</u>	<u>145,000</u>	<u>1,819,723</u>
Fund Equity:				
Contributed Capital:				
Capital grants		2,328,386	-	2,328,386
Less amortization		(715,494)	-	(715,494)
Village contribution		-	80,559	80,559
Total contributed capital		<u>1,612,892</u>	<u>80,559</u>	<u>1,693,451</u>
Retained Earnings:				
Reserved		66,767	62,986	129,753
Unreserved		<u>600,594</u>	<u>323,070</u>	<u>923,664</u>
Total retained earnings		<u>667,361</u>	<u>386,056</u>	<u>1,053,417</u>
Total fund equity		<u>2,280,253</u>	<u>466,615</u>	<u>2,746,868</u>
Total liabilities and fund equity		<u>\$ 4,006,328</u>	<u>\$ 707,983</u>	<u>\$ 4,714,311</u>

Village of Stockbridge
Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
Enterprise Funds
Year Ended February 29, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 315,436	\$ 147,735	\$ 463,171
Other operating revenue	<u>795</u>	<u>19,688</u>	<u>20,483</u>
Total operating revenue	<u>316,231</u>	<u>167,423</u>	<u>483,654</u>
Operating Expenses	<u>329,818</u>	<u>192,099</u>	<u>521,917</u>
Net Operating Loss	<u>(13,587)</u>	<u>(24,676)</u>	<u>(38,263)</u>
Nonoperating Revenues (Expenses):			
Interest earned on investments	1,741	489	2,230
Interest expense	(6,043)	(9,699)	(15,742)
Operating grants	-	5,500	5,500
Transfer from component unit	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total nonoperating revenues (expenses)	<u>(4,302)</u>	<u>21,290</u>	<u>16,988</u>
Net Loss	(17,889)	(3,386)	(21,275)
Add:			
Depreciation of fixed assets acquired by grant, entitlements and shared revenues, externally restricted for capital acquisitions and construction that reduces contributed capital	<u>42,733</u>	<u>-</u>	<u>42,733</u>
Net Change in Retained Earnings	24,844	(3,386)	21,458
Retained Earnings - Beginning of Year	<u>642,517</u>	<u>389,442</u>	<u>1,031,959</u>
Retained Earnings - End of Year	<u>\$ 667,361</u>	<u>\$ 386,056</u>	<u>\$ 1,053,417</u>

Village of Stockbridge
Statement of Revenues, Expenses and Changes in Retained Earnings
Sewer Fund
Year Ended February 29, 2004

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Charges for services	\$ 315,436	\$ 276,965
Other operating revenue	795	895
Total operating revenue	<u>316,231</u>	<u>277,860</u>
Operating Expenses:		
Administration:		
Salaries	17,093	15,723
Fringe benefits	17,985	4,147
Office supplies	986	84
Audit and legal	<u>23,328</u>	<u>43,191</u>
Total administration	<u>59,392</u>	<u>63,144</u>
Operation and Maintenance:		
Salaries and wages	28,082	30,051
Operating supplies	2,988	8,640
Contracted services	136,578	131,968
Telephone	1,812	1,359
Insurance and bonds	1,205	914
Utilities	18,481	18,916
Repairs and maintenance	4	43,089
Professional development	290	98
Equipment rental	6,750	6,750
Other	4,452	4,468
Depreciation	<u>69,784</u>	<u>69,545</u>
Total operation and maintenance	<u>270,426</u>	<u>315,798</u>
Total expenditures	329,818	378,943
Net Operating Loss	<u>(13,587)</u>	<u>(101,083)</u>
Nonoperating Revenues (Expenses):		
Interest earned on investments	1,741	5,857
Operating transfer in	-	2,500
Interest expense	<u>(6,043)</u>	<u>(6,913)</u>
Total nonoperating revenues (expenses)	<u>(4,302)</u>	<u>1,445</u>
Net Loss	(17,889)	(99,638)
Add:		
Depreciation of fixed assets acquired by grant, entitlements and shared revenues, externally restricted for capital acquisitions and construction that reduces contributed capital	<u>42,733</u>	<u>42,733</u>
Net Change in Retained Earnings	24,844	(56,905)
Retained Earnings - Beginning of Year	<u>642,517</u>	<u>699,422</u>
Retained Earnings - End of Year	<u>\$ 667,361</u>	<u>\$ 642,517</u>

Village of Stockbridge
Statement of Revenues, Expenses and Changes in Retained Earnings
Water Fund
Year Ended February 29, 2004

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Charges for services	\$ 133,383	\$ 150,655
Penalties	2,319	3,908
Customer installation fees	8,433	51,469
Other	19,688	151
Hydrant rental	<u>3,600</u>	<u>19,250</u>
Total operating revenue	<u>167,423</u>	<u>225,434</u>
Operating Expenses:		
Administration:		
Salaries	17,093	15,723
Fringe benefits	18,211	11,255
Office supplies	1,806	448
Contracted services	59,951	4,983
Insurance and bonds	1,248	770
Dues and other	<u>219</u>	<u>1,124</u>
Total administration	<u>98,528</u>	<u>34,304</u>
Production:		
Salaries and wages	6,561	4,640
Operating supplies	238	48
Contracted services	1,553	5,824
Utilities	1,915	1,637
Equipment rental	<u>600</u>	<u>600</u>
Total production	<u>10,868</u>	<u>12,748</u>
Water Treatment:		
Salaries and wages	8,466	5,910
Operating supplies	7,271	4,651
Contracted services	297	1,307
Equipment rental	800	800
Utilities	5,949	8,644
Professional	<u>50</u>	<u>1,005</u>
Total water treatment	<u>22,833</u>	<u>22,317</u>
Distribution:		
Salaries and wages	16,827	18,540
Operating supplies	7,016	11,124
Contracted services	9,706	1,696
Utilities	282	(59)
Equipment rental	5,200	520
Depreciation	<u>16,623</u>	<u>16,623</u>
Total distribution	<u>55,654</u>	<u>48,444</u>

Village of Stockbridge
Statement of Revenues, Expenses and Changes in Retained Earnings
Water Fund
Year Ended February 29, 2004

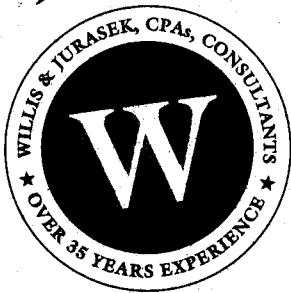
	<u>2004</u>	<u>2003</u>
Operating Expenses (Continued)		
Other:		
Contracted services	\$ 4,216	\$ 165,217
Total operating expenses	192,099	283,031
Net Operating Loss	<u>(24,676)</u>	<u>(57,597)</u>
Nonoperating Revenues (Expenses):		
Interest income	489	1,555
Transfer from component unit	25,000	25,000
Operating transfer out	-	(2,500)
Operating grants	5,500	15,000
Interest expense	<u>(9,699)</u>	<u>(11,720)</u>
Total nonoperating revenues (expenses)	<u>21,290</u>	<u>27,335</u>
Net Change in Retained Earnings	(3,386)	(30,262)
Retained Earnings - Beginning of Year	<u>389,442</u>	<u>419,704</u>
Retained Earnings - End of Year	<u>\$ 386,056</u>	<u>\$ 389,442</u>

Village of Stockbridge
Combining Balance Sheet
Trust and Agency Funds
February 29, 2004

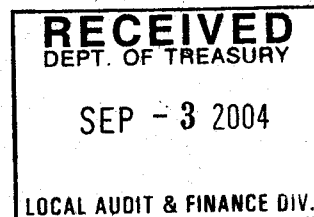
	<u>Cemetery Flower</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 9,205	\$ 92,456	\$ 101,661
<u>Fund Balances</u>			
Fund Balances:			
Reserved	\$ 9,205	\$ 92,456	\$ 101,661
Total liabilities and fund balances	\$ 9,205	\$ 92,456	\$ 101,661

Village of Stockbridge
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Trust and Agency Funds
Year Ended February 29, 2004

	Cemetery Flower	Cemetery Perpetual Care	Total
Revenues:			
Charges for services	\$ -	\$ 2,525	\$ 2,525
Interest	245	5,265	5,510
Total revenues	245	7,790	8,035
Expenditures:			
Other	130	-	130
Revenues Over (Under) Expenditures	115	7,790	7,905
Other Financing Uses:			
Operating transfer out	-	(5,190)	(5,190)
Net Change in Fund Balances	115	2,600	2,715
Fund Balances - Beginning of Year	9,090	89,856	98,946
Fund Balances - End of Year	\$ 9,205	\$ 92,456	\$ 101,661



April 26, 2004



Members of Village Council
Village of Stockbridge
Ingham County, Michigan

We have audited the financial statements of the Village of Stockbridge for the year ended February 29, 2004, and have issued our report thereon dated April 26, 2004. In planning and performing our audit of the general purpose financial statements of the Village, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control.

The Management of the Village of Stockbridge is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Council with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Council's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Village taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

WILLIS & JURASEK, P.C.

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Web site: www.willispc.com

Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Village's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comment and Recommendations

Page 1

Audit Adjustments

As noted in our prior audit for the year ended February 28, 2003 we made a total of 47 journal entries. We noted significant improvement in this area of the audit for the current year. We still made some entries for reversing amounts from last year, such as accounts receivable, accounts payable, accrued payroll, etc. and for recording the current year amounts for those items. But the number of entries required were much less than prior years.

Capitalization Policy

We still recommend you adopt a capitalization policy that sets a minimum amount for an item to be capitalized. A common threshold would be \$1,000. Your fixed asset schedule will get very cumbersome with the small amounts now being recorded. The Village should also review the fixed asset listing annually to ensure old items disposed of are no longer recorded in your schedules. We would also recommend you set up new accounts within your general ledger, one for depreciable fixed assets and one for non-depreciable fixed assets. This would allow easy monitoring and updating of your schedules.

GASB 34

The Governmental Accounting Standards Board has issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The new reporting model will significantly impact government's financial statement presentation. Under the new reporting model, general purpose governments must present the following basic financial statements and required supplementary information:

- Management's discussion and analysis (MD&A).
- Government-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.
- Required supplementary information, including budgetary comparison schedules and other data required by previous GASB pronouncements.

The MD&A is a narrative report prepared in an easy-to-read format by the government's financial manager. It should:

- Introduce the basic financial statements.
- Provide an analytical overview of the government's financial manager's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the government's operations.

GASB No. 34 requires MD&A to include, at a minimum:

- A brief discussion of the relationships of the basic financial statements to each other and the major differences in the information provided in each.
- A comparison in condensed form of information presented in the government-wide financial statements for the current and prior year.
- An analysis of significant changes that occurred in individual funds and any limitations that might affect the availability of fund resources in the future.
- An analysis of significant budget variances (original vs. final budget and final budget vs. actual results) for the general fund or its equivalent, including reasons for those variances that may affect future services or liquidity.

Comment and Recommendations
Page 2

GASB 34 (Continued)

- A summary of significant capital asset and long-term debt activity with a discussion of commitments and limitations that may affect future financing of planned facilities or services.
- A description of facts, conditions, or decisions of which management was aware on or before the audit report date that are expected to have a significant impact on financial position or results of operations after the reporting date.

The implementation date for the new reporting model is in phases depending on the government's revenues. For the Village, the new standard will be effective for the year ended February 28, 2005. The Village needs to begin planning for the new standard to ensure a smooth transition.

Budget

Public Act 621 requires budget amendments prior to actual expenditures being made if expenditures exceed budgeted amounts. During the year, the Village had certain actual amounts that exceeded the budget at year-end. While the amounts were minor in nature, procedures should be put in place to amend the budget as needed during the year when expenditures exceed the budget. This may require budget amendments to be made periodically during the fiscal year.

Certain Accounting Procedures.

The Village should take advantage of the general ledger software currently in use. By that we mean that certain features such as recording expenditures into the accounts payable be done as the bills are received, not just when ready for payment. This would allow for more current financial data throughout the year. It would also require less work at year end to summarize accounts payable and record through journal entries.

This information is intended solely for the use of the Village Council and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.